

PROSPECTUS SUPPLEMENT N° 1 DATED 16 OCTOBER 2020
TO THE BASE PROSPECTUS DATED 3 JULY 2020



Arkéa Public Sector SCF
(société de crédit foncier duly licensed as a French specialised credit institution)
€10,000,000,000 Euro Medium Term Note Programme
for the issue of obligations foncières and other privileged notes

This supplement (the "**Supplement**") is supplemental to, and must be read in conjunction with, the base prospectus dated 3 July 2020 (the "**Base Prospectus**") prepared by Arkéa Public Sector SCF (the "**Issuer**") with respect to the €10,000,000,000 Euro Medium Term Note Programme (the "**Programme**") for the issue, from time to time, subject to compliance with all relevant laws, regulations and directives, of French law *obligations foncières* (the "**French law Privileged Notes**") or German law registered notes (together, the "**Privileged Notes**") which was approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority pursuant to the Regulation (EU) 2017/1129 of the European Parliament and of the Council dated 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended (the "**Prospectus Regulation**") as a base prospectus for the purposes of Article 8 of the Prospectus Regulation on 3 July 2020.

Application has been made to the CSSF in its capacity as competent authority pursuant to the Prospectus Regulation for approval of this Supplement as a supplement to the Base Prospectus.

The CSSF only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. The CSSF assumes no responsibility as to the economic and financial soundness of the Privileged Notes and the quality or solvency of the Issuer and such approval should not be considered as an endorsement of the quality of the securities that are the subject of this Supplement. Investors should make their own assessment as to the suitability of investing in the securities.

Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement. To the extent there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement, and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Privileged Notes since the publication of the Base Prospectus.

In accordance with Article 23.2 of the Prospectus Regulation, where the Privileged Notes are offered to the public, investors who have already agreed to purchase or subscribe for the securities before this Supplement is published have the right, exercisable within a time-limit of two business days after the publication of this Supplement (no later than 20 October 2020) to withdraw their acceptances provided that the new factor, material mistake or material inaccuracy referred to in Article 23.1 of the Prospectus Regulation arose or was noted before the final closing of the offer or the delivery of the Privileged Notes, whichever occurs first. Investors may contact the Issuer or, if any, the relevant Authorised Offeror(s) should they wish to exercise the right of withdrawal.

The Issuer has prepared this Supplement to its Base Prospectus pursuant to Article 23.1 of the Prospectus Regulation for the purposes of inserting a new section entitled "Recent Developments" in the Base Prospectus and updating the following sections of the Base Prospectus:

- "RISK FACTORS" (pages 14 et seq. of the Base Prospectus);
- "DOCUMENTS INCORPORATED BY REFERENCE" (pages 36 et seq. of the Base Prospectus);
- "DESCRIPTION OF THE ISSUER" (pages 70 et seq. of the Base Prospectus); and
- "GENERAL INFORMATION" (pages 111 et seq. of the Base Prospectus).

This Supplement will be (a) published on the websites of (i) the Luxembourg Stock Exchange (www.bourse.lu) and (ii) Crédit Mutuel Arkéa (www.arkea.com/banque/assurance/credit/mutuel/ecb_5040/fr/public-sector-scf) and (b) available for inspection and obtainable, upon request and free of charge, during usual business hours, on any weekday at the registered office of the Issuer (1, rue Louis Lichou, 29480 Le Relecq-Kerhuon, France) and at the specified offices of the Paying Agents.

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RISK FACTORS

Sub subparagraph entitled "*Interest and currency risks*" of subparagraph 1 entitled "*Risks related to the Issuer and its operations*" of paragraph I entitled "*Risks related to the Issuer*" of the section entitled "*Risk Factors*" on page 16 of the Base Prospectus is deleted and replaced by the following:

"

Interest and currency risks

As described in section "*Description of the Issuer – Business Overview*", each advance granted by the Issuer to the benefit of the Borrower under the Facility Agreement shall be made available in the same Specified Currency and according to the same interest conditions to those applicable to the Privileged Notes funding such advance. As a consequence, as long as an event of default under the Facility Agreement has not occurred, the Issuer is not exposed to any currency and interest risk regarding the advances and the Privileged Notes. As of 30 June 2020, the advances granted by the Issuer to the benefit of the Borrower under the Facility Agreement amount to 2,077,600,000 euros.

Upon the occurrence of an event of default under the Facility Agreement and the enforcement of the Collateral Security, a significant part of the Issuer's available funds will arise from the Collateral Security. There is no assurance that the assets being part of the Collateral Security will bear interest at the same conditions as the Privileged Notes or will be denominated in the same currency as the Privileged Notes and, as a result, the Issuer may be exposed to interest and/or currency risk regarding the advances and the Privileged Notes.

In order to mitigate the potential mismatch of the interest rates applicable to the Privileged Notes and to the Collateral Security and the potential mismatch of currencies of denomination of the Privileged Notes and the Collateral Security, the Issuer is entitled to provide additional over-collateralisation and/or provide any other mechanism(s) such as the implementation of a hedging strategy, cash reserve, additional selection rules for the eligible assets or any other mechanism(s) which will comply with the legal requirements applicable to *sociétés de crédit foncier*. However, there is no commitment by the Issuer to provide additional over-collateralisation and/or provide any other mechanism(s) as describe above and if it does there is no assurance that such mechanism(s), if implemented, will be maintained or will adequately cover any interest rate and/or currency risk to which the Issuer might be exposed.

Pursuant to Article 12 of Regulation no. 99-10 of 9 July 1999 of the *Comité de la réglementation bancaire et financière* relating to the *sociétés de crédit foncier* and to the *sociétés de financement de l'habitat* as amended on 26 June 2001, 15 July 2002, 7 May 2007, 23 February 2011, 26 May 2014 and 3 November 2014 (the "CRBF Regulation"), the Issuer shall implement a system for measuring overall interest rate risks under the conditions set forth in Articles 134 to 139 of the *Arrêté* dated 3 November 2014 with respect to the internal control of banking sector companies, payment services and investment services providers subject to *Autorité de contrôle prudentiel et de résolution* supervision. The level of rate and maturity matching between the assets and the liabilities of the Issuer shall be monitored by the specific controller (*contrôleur spécifique*)."

Sub subparagraph entitled "*Commingling risk*" of subparagraph 1 entitled "*Risks related to the Issuer and its operations*" of paragraph I entitled "*Risks related to the Issuer*" of the section entitled "*Risk Factors*" on page 17 of the Base Prospectus is deleted and replaced by the following:

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Commingling risk

The Collateral Providers have been appointed by the Issuer to carry out the administration and recovery of the assets transferred as Collateral Security. In the event that insolvency proceedings are opened against any Collateral Provider, a statutory stay of proceedings under French insolvency law will prevent the Issuer from having recourse against such Collateral Provider for the repayment of collections under

those assets transferred as Collateral Security which are commingled with other funds of such Collateral Provider.

To address such commingling risk, the Issuer will benefit from a guarantee from Crédit Mutuel Arkéa and an undertaking from Crédit Mutuel Arkéa to transfer to the Issuer, by crediting such account as designated by the Issuer, certain amounts on each relevant collection payment date following Crédit Mutuel Arkéa's short-term, unsecured, unsubordinated and unguaranteed debt obligation falling below such minimum ratings, complying with the Rating Agency's public methodologies and criteria in order to maintain the rating of the Privileged Notes. As of 30 June 2020, the balance of such account amounted to 2,597,045,096 euros."

Sub subparagraph entitled "*Risks related to Covid-19*" of subparagraph 1 entitled "*Risks related to the Issuer and its operations*" of paragraph I entitled "*Risks related to the Issuer*" of the section entitled "*Risk Factors*" on page 18 of the Base Prospectus is deleted and replaced by the following:

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Risks related to Covid-19

The global health crisis (coronavirus) has a significant negative impact on the global economy, which would worsen if the crisis is not quickly contained. It leads to supply and demand crises, resulting in a significant slowdown in activity due to the impact of confinement measures on consumption and the mistrust of economic agents, as well as production difficulties, disruptions in supply chains in some sectors, and a slowdown in investments. As a result, the nominal gross domestic product is forecast to significantly contract in France and Europe in 2020 which may even lead to technical recessions in several countries.

These consequences would impact the activity of banks' counterparties and, in turn, of the banks themselves. At the time this document is being written, the effects of any potential support or corrective measures taken by the authorities or market participants remain highly uncertain.

From the very beginning of the epidemic in France, the Group has endeavored to identify the specific risks associated with its development and to identify the consequences as it evolves. These specific risks are summarized below:

- Business model risk: the Group's business model consists of supporting and financing the real economy. The implementation of this business model could be called into question by the socio-economic consequences of the epidemic and in particular by the anticipated sharp contraction of activity in France and Europe;
- Liquidity risk: against a backdrop of market tensions and economic uncertainty, the Group set up a daily monitoring of market operations and customer activity from the beginning of the crisis, without any alert at this stage;
- Operational risk: the confinement at home of almost all of the group's employees, as part of the measures decided by the government to curb the spread of the epidemic, has not led to difficulties in continuing business. Taking into account the significant expansion of remote working, a strengthening of the monitoring of external access to the information system has been implemented to counter an increase in exposure to cyber risk and the risk of external fraud;
- Legal risk: the legal risk on suppliers has been increased due to the suspension of external service contracts; and
- Credit risk: the socio-economic impacts of the epidemic could lead to a large number of defaults by the counterparties with which the Group is in contact, particularly in certain sectors of activity that are particularly affected by the development of the epidemic and the associated restrictions on movement (tourism, air transport, etc.). Depending on the evolution of the crisis, the cost of risk, the results and the financial situation of the Group could be more widely impacted.

Beyond the overall impact on the Group, the crisis could have significant consequences for the Issuer that cannot yet be measured."

Subparagraph 3 entitled "*Risks related to the disaffiliation of Arkéa's group from Crédit Mutuel*" of paragraph I entitled "*Risks related to the Issuer*" of the section entitled "*Risk Factors*" on pages 18 to 24 of the Base Prospectus is deleted and replaced by the following:

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3. Risk relating to the disaffiliation of the Arkéa group from the Crédit Mutuel

Change in the organization of the main players involved in the public stock ownership offering

A cooperative banking group independent from the Crédit Mutuel

The Borrower's Board of Directors, held on 17 January 2018, mandated its managers to take any action that would enable the Borrower to become a cooperative banking group independent from the rest of Crédit Mutuel, in order to pursue its original development strategy based on three strengths: its territorial anchoring, its culture of innovation and its intermediate size.

The directors of the local banks and federations of CM de Bretagne, Sud-Ouest and the Massif Central were invited to vote during the first half of 2018 in an orientation vote. At the end of the consultation process initiated by the local banks of the Group and the holding of the Federations' Boards of Directors, the Group has officialized the results of the votes of the 307 local banks that were cast. 94.5% of these local banks voted in favour of the proposed independence of the Group, which will thus become a cooperative and territorial group, independent from the rest of Crédit Mutuel. This vote acknowledges the Group's desire to withdraw from the Crédit Mutuel group and makes it possible to initiate the project aimed at defining the terms and conditions of its disaffiliation in the context of the general decision (the "DCG") N° 1-2019, relating to the disaffiliation of the Crédit Mutuel branches at their request.

This project aims to preserve the fundamental characteristics of the cooperative model and the *raison d'être* of the Group. It is also a development driver and will enable the Group to continue to serve its members, customers and partners.

Operational implementation of disaffiliation

The Group has begun the operational implementation of its disaffiliation. The Board of Directors of the Borrower, on 29 June 2018, approved the target organisation plan for the future independent group and called on the local banks to give their opinion on the implementation of this plan. Work to define the detailed technical details of the project has been under way for several months and discussions are underway with the supervisory authorities.

The disaffiliation operations will then be initiated in conjunction with the *Confédération Nationale du Crédit Mutuel* (the "CNCM"), within the limits of the powers attributed to it by law.

On 18 February 2019, CNCM's Board of Directors recognised the possibility of leaving the Crédit Mutuel group by adopting the DCG. In this context, the Group wishes to withdraw from the Crédit Mutuel group.

In accordance with the DCG I, the main stages of disaffiliation are as follows:

- (i) The Boards of Directors of the local banks of the Group wishing to disaffiliate from the Crédit Mutuel group will have to adopt a notification file of the planned disaffiliation. The Boards of Directors of the local banks will be consulted following the conclusion of ongoing discussions with the ECB and the ACPR on the basis of a consultation file;
- (ii) Each Federation must then notify the CNCM of the planned disaffiliation of each local banks;
- (iii) Once authorised by the CNCM Board of Directors within two months of receiving the proposed disaffiliation, each Federation may organise a consultation of the members of each local banks meeting in an extraordinary general meeting. The disaffiliation project must be adopted by a two-thirds majority of the members present or represented;

- (iv) In the event of approval of the proposed disaffiliation by the members, the CNCM Board of Directors shall rule on the request for disaffiliation within two months of receipt of the complete file transmitted by the federations. In particular, a memorandum of understanding between the outgoing local banks and the CNCM setting out the commitments of the mutuals and the practical procedures for their disaffiliation must be concluded.

The Group's target scheme

Under the draft target scheme, the Group will be formed around Arkéa (currently Crédit Mutuel Arkéa), a cooperative limited company with variable capital and a union of cooperatives, which will remain individually licensed as a cooperative bank.

Arkéa will in particular be governed by Act 47-1775 of 10 September 1947 on the status of cooperation (the "**1947 Act**") and Article L. 512-1 of the French Monetary and Financial Code.

The local banks would take the form of Local Cooperatives (the "**LCs**") and would no longer be credit institutions. The local banks will retain their status as cooperative companies with variable capital, and will continue to constitute among themselves the union of Arkéa cooperatives, pursuant to the 1947 Law. The purpose of the new LCs will be refocused on their primary *raison d'être*: to develop membership and facilitate access to banking, financial and insurance services. They will be in charge of supporting and promoting membership as part of their regional outreach.

To this end, all the regulated financial activities of the local banks will be transferred to Arkéa, which will accordingly open local branches within the LCs. In addition, as part of this new organization, all banking and investment services will then be carried out by Arkéa's local branch, which will be opened on the same premises as those of LC.

Each LC will also be able to advise its local Arkéa branch to provide banking, financial and insurance services tailored to its members.

In accordance with the 1947 Law, each member will continue to participate in the social life of the LC according to the principle of "one person, one vote" and to stand as a candidate for the election of the members of the Board of Directors of his LC. LCs will continue to hold the A shares issued by Arkéa. In other words, Arkéa's governance will be based on the involvement and participation of each LC playing its role as shareholder.

In addition, a cooperation pact between all LCs and Arkéa will be concluded for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to help LCs fulfil their primary mission, i.e. to promote access to banking, financial and insurance services for all.

Regional federations will ensure the smooth running and good governance of the LCs.

A share issuance scheme is currently under discussion with the ACPR and the ECB. In this respect, it is specified that the work in progress favours a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed plan will be submitted to the authorities beforehand.

Risks relating to the complexity of the context and risks linked to the disaffiliation of the Group from the Crédit Mutuel group

The Borrower considers that the factors described below could affect the implementation of the disaffiliation of the Group from the Crédit Mutuel group. They are linked to events that may or may not occur. Their probability of occurrence and their extent in the event of occurrence are assessed by the Borrower for each risk factor.

The disaffiliation project as envisaged by the Borrower is unprecedented and complex to carry out. Investors' attention is drawn to the complexity of the situation linked to the plan to disaffiliate the Group from the Crédit Mutuel group and to the uncertainties and risks involved. This complexity relates in particular, but not exclusively, to the accounting and prudential consolidation mechanisms which will have to be implemented and which are intended to determine the scope of supervision of the Group by the supervisory authorities once it is no longer part of the Crédit Mutuel.

Because of its novel and complex nature, the disaffiliation project presupposes, for its implementation, that conditions are met, in particular with regard to the various stages described in the paragraph on the operational implementation of disaffiliation.

Prior to any investment decision, potential investors should conduct an in-depth analysis of the disaffiliation project, of the Group's target organizational structure as described above and of the related uncertainties and risks, as described below. In particular, investors should carefully review all the information included in this document and, in particular, when making their investment decision, should consider the risk factors related to the change in the organization of the main players in the shares and the risks related to the disaffiliation of the Group from the Crédit Mutuel listed in this document.

The implementation of the Group's disaffiliation will not alter its nature as a cooperative and territorial group. However, its disaffiliation from the Crédit Mutuel group has consequences which may be difficult for the investor to grasp but which must be understood and analysed before taking any investment decision. Because of its unprecedented nature, the Borrower cannot guarantee that the project will be carried through to completion, that it will not have to be subject to major changes compared with what was initially planned or that new difficulties will not emerge during its implementation.

Risks related to the local banks

- Uncertainties regarding the shares issued by the local banks before the Group's disaffiliation from the Crédit Mutuel group

The analysis carried out by the Borrower of the implementation of the disaffiliation of the Group from the Crédit Mutuel has confirmed that, in the planned target scheme, the A, B and C shares issued by the local banks to date will not be affected.

Indeed, the cases of early redemption based on a legal basis applicable to A, B and C shares result from (i) the 1947 Law and (ii) EU Regulation (EU) No 575/2013 of 26 June 2013, as amended in view of the capital quality of the shares. These texts do not include any case of early redemption relating to the loss of the local banks banking license or change of purpose as long as the cooperative status remains.

Similarly, the contractual terms and conditions of the A, B and C shares do not include any case of early redemption relating to the loss of the local banks approval.

The risk is therefore low, in the planned target scheme, that the shares issued by the local banks before the Group's disaffiliation from the Crédit Mutuel will be affected.

- Uncertainties regarding the implementation of a new share issue scheme following the disaffiliation of the Group's from the Crédit Mutuel

The disaffiliation of the local banks from Crédit Mutuel will entail the loss of the benefit of the collective banking licence granted under the conditions of Article R.511-3 of the French Monetary and Financial Code, which will have an impact on their ability to issue, in the future, B shares by way of a public offer.

To date, these B shares are a key source of financing for the Borrower. A share issue plan is currently being discussed with the ACPR and the ECB. In this respect, it is specified that the work in progress favours a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed plan will be submitted to the authorities beforehand.

It is therefore possible that the Group will not obtain the agreement of the authorities, which could prevent the disaffiliation project from being carried out in accordance with the planned target scheme.

- Risks related to the fate of the local banks that voted against the disaffiliation project

In the context of the DCG, the operational implementation of the disaffiliation of the Group remains subject to the approval and vote of the Boards of Directors of the local banks, as the disaffiliation of the Borrower (the Group's inter-federal bank) does not automatically result in the disaffiliation of the local banks that are shareholders of the Group.

The local banks that vote against the disaffiliation from the Crédit Mutuel, or do not wish to participate in the vote, may not be part of this new organisation.

Even if 94,5 % of the local banks that voted in 2018 did so in favour of independence, these results do not in any way prejudice the results of the future vote of the local banks on the operational implementation of this disaffiliation from the Crédit Mutuel group.

Each local bank will be called upon to decide on the implementation phase of the disaffiliation of the Group in order to approve the disaffiliation project, the terms and conditions of disaffiliation and the filing of a disaffiliation request by the Federation concerned, in accordance with the DCG.

Local banks that choose to vote against disaffiliation may join another federal or inter-federal fund in order to benefit from a new collective agreement. This new affiliation will not constitute a case of early redemption of the A, B and C shares held by the members. These local banks will be reimbursed for the A shares they hold in the share capital of the Borrower.

It is possible that some local banks may ultimately choose to vote against the disaffiliation from the Crédit Mutuel. However, the financial consequences for the Group will depend on the number and characteristics (shares, reserves, loans, deposits) of the local banks that choose to vote against the disaffiliation. On the basis of the orientation vote in April 2018, the impact of this exit on the Group would be low.

- Risks related to the final vote of the members

The local banks that vote for the disaffiliation of the Crédit Mutuel group will have to convene their extraordinary general meeting in order to adopt the disaffiliation project in accordance with the DCG and to approve the amendment of their articles of association relating thereto.

The vote of the members, which, in accordance with Article 2.3 of the DCG, may not take place less than two months after the CNCM's authorization to convene the extraordinary general meeting of the local banks concerned, shall relate to the express approval of the disaffiliation project, the terms of disaffiliation appearing in the notification file previously approved by the Boards of Directors of these local banks and its consequences, particularly financial, for these local banks and their members, in accordance with Appendix 2 of the DCG.

In accordance with Appendix 2 of the DCG, a presentation document summarising the main points of the notification file and the amendments to the Articles of Association shall be notified to the members at least fifteen (15) days before each extraordinary general meeting is held. The members will thus be able to decide on the basis of clear, precise and exhaustive information on the proposed disaffiliation and its consequences for their local banks, its members, its customers, its creditors, its employees and the entire Crédit Mutuel group, in accordance with the DCG.

The extraordinary general meeting of each local banks fund concerned must decide in favour of the request for disaffiliation by a two-thirds majority of the members present or represented, in accordance with Article 2.4 of the DCG.

In the event of disapproval by an extraordinary general meeting, the Federation concerned may not transmit a new request for disaffiliation from the local banks concerned before a period of three (3) years, in accordance with Article 2.3 of the DCG.

The results of the orientation vote on the Group's proposed independence in no way prejudices the results of the future vote of the local banks on the operational implementation of this disaffiliation from the Crédit Mutuel.

It is possible that the extraordinary general meetings of some local banks may not adopt the disaffiliation project and may not approve the amendment of their Articles of Association relating thereto. However, the financial consequences for the Group will depend on the number and characteristics (shares, reserves, loans, deposits) of the local banks that choose to vote against the proposed disaffiliation and the amendment of their articles of association. On the basis of the orientation vote in April 2018, the impact of this exit on the Group would be low.

Risks related to the Group

Following the disaffiliation of the Group from the Crédit Mutuel, of which CNCM is the central body, Arkéa (currently Crédit Mutuel Arkéa) will still be authorised as a cooperative bank and supervised directly by the ACPR and the ECB.

- Risks related to the agreement of the supervisory authorities

In accordance with the provisions of the French Monetary and Financial Code, in conjunction with the disaffiliation of the Borrower from the Crédit Mutuel, CNCM, as the central body, must notify ACPR of the disaffiliation of the Borrower.

The ACPR and the ECB will have to review the banking licence of the Borrower and the local banks attached to it.

At this stage, detailed and documented work is underway with these authorities to obtain their agreement. No assurance can be given as to whether their agreement will be obtained or as to the timing and modalities of obtaining their agreement. The change in the Borrower's corporate name will require the prior approval of these authorities.

It is therefore possible that the Group will not obtain the agreement of the ACPR and the ECB, which could prevent the disaffiliation project from going ahead as planned.

- Risks related to prudential calculations

In addition, the disaffiliation of the Group from the Crédit Mutuel could lead to a change in the internal model for calculating weighted risks leading to an increase in capital requirements, or even a switch to a standard model.

At June 30, 2020, credit risk is determined for €116 billion of net risk exposures, of which:

- (i) €72 bn of risk exposures are assessed using an internal ratings approach,
- (ii) €44bn of risk exposures are already assessed using a standard approach.

As a result, the disaffiliation of the Crédit Mutuel group could lead to a review of the weighted risk assessment method for the €72 billion of credit risk exposures currently assessed using an internal rating approach, without calling into question the financial strength of the Group.

- Risks related to the practical arrangements for disaffiliation set by DCG

DCG stipulates that the notification file must mention 'the commitments proposed by the bank to compensate all past and future costs borne by the Crédit Mutuel group entities as a result of the planned disaffiliation'. In addition, the application file for disaffiliation which will be sent to CNCM by the Federations after the vote of the members of the local banks concerned who are affiliated to them must include the draft memorandum of understanding setting out the commitments of these local banks and the practical arrangements for disaffiliation.

Within this framework, the local banks will make a financial proposal to the CNCM Board of Directors based on objective and legally founded elements.

Lastly, the DCG provides that the Board of Directors of the CNCM must adopt the final terms of disaffiliation, 'taking into account, in particular, the effective date of disaffiliation of the fund concerned, the amount of the indemnity to be paid to the Caisse Centrale de Crédit Mutuel and the memorandum of understanding setting out the commitments of the local bank and the practical arrangements for disaffiliation'. The DCG does not specify either the methods of calculation of this compensation or its amount, which may in fine be significant, which the Borrower could then contest.

Furthermore, in accordance with Article 2.4 of the DCG, in the event of a change in the legal or factual circumstances between the authorization given to the Federations to organize the vote of the members and the vote of approval of each extraordinary general meeting, or after the latter vote, the CNCM Board of Directors may ask the local banks and federations concerned for any useful additional information in order to "assess at short notice whether the essential conditions for disaffiliation are still met and the consequences of such a change for the Crédit Mutuel group in the event of disaffiliation" and "decide whether to follow up on the request for disaffiliation".

It is therefore possible that the Borrower does not agree with CNCM on the practical arrangements for disaffiliation set by DCG, which could prevent the disaffiliation project from being carried out.

- Risks related to the commercial stakes of disaffiliation

The disaffiliation of the Group from the Crédit Mutuel has a number of consequences, in particular the commercial stakes involved in the adoption by the Borrower of a name and trademarks that do not use the terms 'Crédit Mutuel'.

Furthermore, the possibility of opening up a large number of local banks in the territory of the Brittany and South-Western France Federations could increase competition with the Group in these two territories.

In any event, competition in the banking sector in France is strong. The Group considers that the intensification of competition in the context of its disaffiliation project will not affect its development capacities.

The preparatory work leading to the adoption of a new brand is being completed in order to initiate a new commercial and industrial dynamic.

It is therefore possible that the disaffiliation of the Borrower from the Crédit Mutuel could have commercial impacts on the Group. However, the work in progress makes it possible to determine that the consequences of the occurrence of this risk are slight.

- Risks related to the governance of the Borrower

The CNCM thus amended its Articles of Association by an extraordinary general meeting on May 16, 2018 (the "**Articles of Association**").

A new Article 29 relating to the sanctions that may be pronounced by the CNCM has been incorporated into the Articles of Association. This new Article 29 is accompanied by a disciplinary regulation which would have the same legal force as the statutes.

The regulatory measures referred to in the powers of the Board of Directors refer to the creation of a new Article 33 of the Articles of Association, entitled "Withdrawal of confidence or approval as a regulatory measure", allowing for the removal of the heads of the regional groups outside of any sanction procedure.

It is possible that these provisions of the Articles of Association will be implemented by the CNCM, as the potential negative impact on the Group can be assessed as significant.

- Risks related to potential litigation

Following the implementation of the disaffiliation of the Group from the Crédit Mutuel group, there is a risk of a legal challenge to the disaffiliation of the Group, in particular in the context of the application of the DCG.

In addition, the operational implementation of the disaffiliation of the Group could give rise to various claims or give rise to litigation against the Group by members, customers or counterparties of the Crédit Mutuel group.

Any litigation or claims that might be potentially brought could have a potentially significant negative impact on the Group.

- Risks related to the loss of inter-federal solidarity

As from the effective date of disaffiliation, the Borrower will no longer benefit from the national inter-federal solidarity mechanism in the event of the Group becoming independent from Crédit Mutuel.

However, it is specified that the Borrower has its own solidarity mechanism which would intervene in the first instance.

A cooperation pact between all LC and Arkéa will thus be concluded for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to help LC fulfil its primary mission, i.e. to promote access to banking, financial and insurance services for all.

For more information on the solidarity mechanism, investors may refer to section 1.6 on solidarity relations of this Universal Registration Document.

The exit of the Borrower from the national inter-federal solidarity mechanism could lead to the lowering of certain financial ratings of the Group. However, it should be noted that Fitch Ratings already assigns a rating to the Group independently of the Crédit Mutuel group, without taking account of this national inter-federal solidarity mechanism.

At this stage, there is no certainty as to how this situation could evolve and/or the timing of its outcome, or the impact it could have on the B Units."

DOCUMENTS INCORPORATED BY REFERENCE

The section entitled "*Documents incorporated by reference*" on pages 36 to 37 of the Base Prospectus is deleted and replaced by the following for the purposes of incorporating by reference in the Base Prospectus the 2020 Interim Financial Report (as defined below) of the Issuer:

"

This Base Prospectus shall be read and construed in conjunction with the following documents which have been previously or simultaneously filed with the *Commission de surveillance du secteur financier* (the "CSSF") and which are incorporated by reference in, and shall be deemed to form part of, this Base Prospectus:

- the 2018 financial statements of the Issuer for the year ended 31 December 2018 (the "**2018 Financial Statements**", <https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2019-04/rapport-financier-annuel-arkea-public-sector-scf-31122018.pdf>) comprised of the statutory auditors' report thereon and the audited financial statements of the Issuer with respect thereto;
- the 2019 financial statements of the Issuer for the year ended 31 December 2019 (the "**2019 Financial Statements**", https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2020-04/rapport_financier_annuel_2019_scf_signe.pdf) comprised of the statutory auditors' report thereon and the audited financial statements of the Issuer with respect thereto; and
- the unaudited financial statements of the Issuer as at, and for the six-month period ended, 30 June 2020 together with the related notes and the auditors' report thereon (the "**2020 Interim Financial Report**") https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2020-09/v1b-rapport_financier_semestriel_scf_30.06.20_final.pdf;

and, for the purposes only of further issues of French law Privileged Notes to be assimilated (*assimilées* for the purpose of French law) and form a single Series with French law Privileged Notes already issued under the relevant EMTN Previous Terms and Conditions (as defined below):

- the section "*Terms and Conditions of the French law Privileged Notes*" contained on pages 24 to 49 of the base prospectus of the Issuer dated 31 August 2011 (which was approved by the CSSF in Luxembourg) (the "**2011 Conditions**", <https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2014-06/prospectus-de-base-credit-mutuel-arkea-public-sector-scf-31082011.pdf>);
- the section "*Terms and Conditions of the French law Privileged Notes*" contained on pages 53 to 75 of the base prospectus of the Issuer dated 28 August 2015 (which was approved by the CSSF in Luxembourg) (the "**2015 Conditions**", <https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2016-11/base-prospectus-arkea-public-sector-scf-28082015.pdf>);
- the section "*Terms and Conditions of the French law Privileged Notes*" contained on pages 53 to 75 of the base prospectus of the Issuer dated 14 October 2016 (which was approved by the CSSF in Luxembourg) (the "**2016 Conditions**", <https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2016-11/base-prospectus-arkea-public-sector-scf-14102016.pdf>);
- the section "*Terms and Conditions of the French law Privileged Notes*" contained on pages 54 to 76 of the base prospectus of the Issuer dated 26 October 2017 (which was approved by the CSSF in Luxembourg) (the "**2017 Conditions**", <https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2017-10/base-prospectus-arkea-public-sector-scf-26102017.pdf>);and

- the section "*Terms and Conditions of the French law Privileged Notes*" contained on pages 78 to 103 of the base prospectus of the Issuer dated 26 November 2018 (which was approved by the CSSF in Luxembourg) (the "**2018 Conditions**" and together with the 2011 Conditions, the 2015 Conditions, the 2016 Conditions and the 2017 Conditions, the "**EMTN Previous Terms and Conditions**", https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2018-11/arkea_ps_scf_base_prospectus_final.pdf).

To the extent that only the EMTN Previous Terms and Conditions are specified to be incorporated by reference therein, the non-incorporated parts of the previous base prospectuses are either not relevant for investors or are covered elsewhere in the Base Prospectus.

The Issuer declares that the free English translations of the 2018 Financial Statements and the 2019 Financial Statements are, to the best of its knowledge, fair and true translations of the French language original versions.

So long as any of the Privileged Notes are outstanding, all documents incorporated by reference in this Base Prospectus will be (i) available for inspection and obtainable, upon request and free of charge, during usual business hours, on any weekday at the registered office of the Issuer (1, rue Louis Lichou, 29480 Le Relecq-Kerhuon, France) and (ii) published (a) on the website of the Luxembourg Stock Exchange (www.bourse.lu) and/or (b) for at least ten (10) years from the date of their publication, on the website of the Issuer (www.arkea.com/banque/assurance/credit/mutuel/ecb_5040/fr/public-sector-scf).

Except for the EMTN Previous Terms and Conditions, the information incorporated by reference in this Base Prospectus shall be read in connection with the cross-reference list below.

Cross-reference list relating to the 2018 Financial Statements, the 2019 Financial Statements and the 2020 Interim Financial Report¹

INFORMATION INCORPORATED BY REFERENCE (Annex 6 of the Delegated Regulation (EU) 2019/980 dated 14 March 2019)	REFERENCE		
11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	2018 Financial Statements	2019 Financial Statements	2020 Interim Financial Report
<u>13.1 Historical financial information</u>			
-- Balance sheet	Page 22	Page 19	Page 4
-- Income statement	Page 23	Page 20	Page 5
-- Notes	Pages 24 to 30	Pages 21 to 28	Pages 6 to 13
-- Cash flow statement	Page 29	Page 27	Page 12
-- Audit report from the auditors relating to the above	Pages 31 to 37	Pages 29 to 35	N/A
-Review report from the auditors relating to the above	N/A	N/A	Pages 14 to 16

¹ Indicated pages refer to the PDF pages of the 2018 Financial Report, the 2019 Financial Report and the 2020 Interim Financial Report.

DESCRIPTION OF THE ISSUER

Subparagraph entitled "*Funding of the advances*" of paragraph entitled "*Business overview*" of the section entitled "*Description of the Issuer*" on page 74 of the Base Prospectus is deleted and replaced by the following:

"

Funding of the advances

Advances made by the Issuer will be financed by debt benefiting from the Privilège described in Section "*Main features of the legislation and regulations relating to sociétés de crédit foncier*", which includes Privileged Notes or other resources, expressly providing for in the relevant agreement that they benefit from the Privilège. These other resources benefiting from the Privilège include registered notes governed by German law, which are designed for German institutional investors and subject to private placement.

As of 16 September 2020, the Issuer's subordinated debt ("*dettes subordonnées*") amounted to €0 and the nominal amount of all outstanding Notes issued by the Issuer amounted to €2,077,600,000 of principal and €29,749,280.72 of interests. Such Notes are scheduled to mature no later than 19 October 2046.

The Privileged Notes are expected to be rated Aaa by Moody's Investors Service Ltd ("**Moody's**") and to be listed on the Official List of the Luxembourg stock exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. By offering to the market such Aaa rated Privileged Notes, which are a reflection, among other factors, of the intrinsic quality of the assets of the Issuer, the Issuer aims to increase the competitiveness of the Group. By providing the market with an additional counterparty (in addition to Crédit Mutuel Arkéa), the Issuer should increase the Group's investor base.

The credit ratings address, in respect of Moody's, the expected loss which the investors are exposed to in respect of the Privileged Notes."

RECENT DEVELOPMENTS

A new section entitled "*Recent Developments*" is included in the Base Prospectus after the section entitled "*Description of the Issuer*" on pages 70 to 76 of the Base Prospectus as follows:

"

Press release

The Arkéa group maintains its determination to become independent and continues to work to achieve an orderly separation

Brest, October 9th 2020 - The Board of Directors of Crédit Mutuel Arkéa, which met today, enabled the Executive Management to review the progress of the cooperative and territorial banking group's independence project. Discussions with the supervisory authorities are continuing in a calm and constructive climate. The Arkéa group reiterates its determination to continue working to achieve its independence.

In January 2018, the Board of Directors of Crédit Mutuel Arkéa mandated the Executive Management to take any action that would enable it to become an independent banking group, entirely separate from the Crédit Mutuel, while respecting its cooperative identity.

This independence project was approved by 94.5% of the local banks in an orientation vote held in April 2018. At the end of June 2018, the Board of Directors of Crédit Mutuel Arkéa validated the broad outlines of its target scheme. Since then, Arkéa has been resolutely committed to the operational implementation of its independence.

Discussions with the supervisory authorities had been under way for several months on the modalities of the separation, before being temporarily suspended due to the health crisis, the ECB having naturally fully prioritised its action and resources to monitor this unprecedented crisis.

Despite this context, the Arkéa group has constantly pursued work and actions aimed at preparing for the orderly separation from Crédit Mutuel, in a calm climate as desired by the supervisors.

In recent months, Arkéa has also once again demonstrated its financial strength, resilience and the relevance of its model for the financing of the real economy, territories and their players.

Today's meeting of the Board of Directors was an opportunity for the Group's Executive Management to report on the exchanges with the banking authorities, which will continue, and to reaffirm its determination to pursue this independence project. It aims to preserve the fundamental characteristics of the cooperative model and the group's *Raison d'être* (purpose), and is fully in line with the group's next strategic plan, which will succeed the Arkéa 2020 plan at the end of the year.

About the Arkéa group

The Arkéa group comprises Crédit Mutuel Arkéa, the federations of Crédit Mutuel de Bretagne, Sud-Ouest and their local member banks, as well as nearly forty specialised subsidiaries (Fortuneo, Monext, Arkéa Banque Entreprises et Institutionnels, Arkéa Investment Services, Suravenir, etc.). It has more than 10,500 employees, nearly 2,800 directors, 4.8 million members and customers in banking and insurance and a balance sheet total of 165 billion euros. Crédit Mutuel Arkéa is one of the leading banks with headquarters in the regions.

More information on arkea.com

Press Contact: Ariane Le Berre-Lemahieu - 02 98 00 22 99 - ariane.le-berre-lemahieu@arkea.com"

GENERAL INFORMATION

Paragraphs 6 and 7 of the section entitled "*General Information*" on pages 111 of the Base Prospectus are deleted and replaced by the following:

"

- (6) Save as disclosed in sub subparagraph entitled "*Risks related to Covid-19*" of subparagraph 1 entitled "*Risks related to the Issuer and its operations*" of paragraph I entitled "*Risks related to the Issuer*" of the section entitled "*Risk Factors*" on page 18 of the Base Prospectus, there has been no significant change in the financial position or financial performance of the Issuer or the Group since 30 June 2020.
- (7) Save as disclosed in sub subparagraph entitled "*Risks related to Covid-19*" of subparagraph 1 entitled "*Risks related to the Issuer and its operations*" of paragraph I entitled "*Risks related to the Issuer*" of the section entitled "*Risk Factors*" on page 18 of the Base Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2019."